



Stat of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

July 10, 2003

Lee R. Brown
US Magnesium LLC
238 North 2200 West
Salt Lake City, Utah 84116

Dear Mr. Brown:

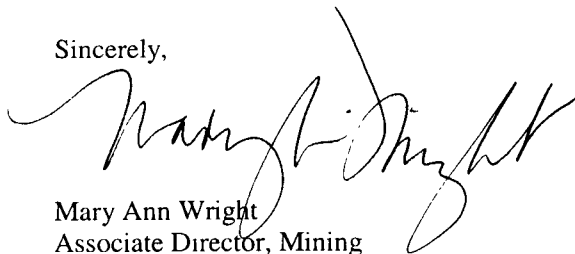
Re: Agreement for Voluntary Surrender of Pre-Transfer Reclamation Surety, US Magnesium LLC, Rowley/Stansbury Basin Mine, M/045/008, Tooele County, Utah

Please find enclosed two original signed copies of the final agreement reached between US Magnesium LLC ("US Mag") and the Division allowing for the voluntary surrender of the \$15,278 plus interest, pre-transfer reclamation surety. Attached as Exhibit A, are 3 disturbed area maps prepared by the Division outlining the oolitic sand mining and borrow areas that remain to be regraded and reseeded at the Rowley/Stansbury Basin Mine complex. Details and a preferred timeframe for completing the regrading and seedbed preparation work are outlined on Exhibit A. These maps have assisted you in completing your 2002 annual report which we received last week.

Please sign both originals of the agreement and return one copy to this office. Keep the second signed copy for your records.

The Division requests that we be contacted prior to proceeding with the regrading/chaining work. The Division can arrange to have someone on site to concur with any areas in question. The Division will then proceed with weed control as needed and seeding in fall, 2003. Thank you for your cooperation in this regard. Please contact me, or Wayne Hedberg of my staff should you have further questions regarding this action.

Sincerely,



Mary Ann Wright
Associate Director, Mining

jb

Enclosures: 2 original copies - Surety Release Agreement w/attachments

cc: Lowell Braxton, OGM
Mike Malmquist, Counsel for U.S. Magnesium LLC
Steve Alder, AAG
Karl Kappe, FFSL

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AGREEMENT BETWEEN
UTAH DIVISION OF OIL, GAS & MINING AND US MAGNESIUM, LLC
for the
VOLUNTARY SURRENDER of the PRE-TRANSFER RECLAMATION SURETY

STATEMENT OF FACTS:

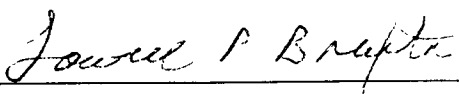
1. US Magnesium, LLC (US Mag) is the owner and operator of the Stansbury/Rowley Mine (Site), M/045/008, located in Tooele County, Utah.
2. US Mag has agreed, under "Stipulation and Order Between Magnesium Corporation of America and Utah Department of Natural Resources Regarding, Among Other Things, Assignment of Executory Contracts" (Stipulation), dated June 17, 2002, to reclaim Oolitic Sands and Borrow Areas at the Site, identified on the attached Exhibit A (1-3), in accordance with applicable laws and regulations. (See Stipulation attached as Exhibit B)
3. Utah Division of Oil, Gas and Mining (UDOGM) currently holds a cash performance bond of approximately \$15,279 plus interest, pledged to insure Site reclamation for the Oolitic Sands and Borrow Areas (Pre-transfer Surety).

TERMS OF AGREEMENT:

1. US Mag agrees to voluntarily surrender the Pre-transfer Surety to UDOGM and to execute all documents and releases necessary to provide UDOGM with the Pre-transfer Surety funds.
2. UDOGM agrees that completion of the grading and seed bed preparation of the Oolitic Sands and Borrow Areas by US Mag, of the areas identified, plus the voluntary surrender of the Pre-transfer Surety to UDOGM, shall constitute full and final satisfaction of the US Mag obligation for reclamation of the Oolitic Sands and Borrow Areas under the Utah Mined Land Reclamation Act and resulting rules and under the Stipulation. Within two weeks of US Mag's completion of the grading, and seedbed preparation, UDOGM shall provide US Mag with written confirmation that it has fulfilled, and is fully released from its obligations under this Agreement, the Stipulation, and the Utah Mined Land Reclamation Act and rules.
3. UDOGM agrees to use the funds from the Pre-transfer Surety to manage and complete the seeding and revegetation of the Oolitic Sands and Borrow Areas.

Agreed to this 10th day of July, 2003.

Lee R. Brown, Vice President
US Magnesium, LLC
Taxpayer ID #: _____



Lowell P. Braxton, Director
Utah Division of Oil, Gas & Mining